

limited liability. Such companies were only created by special charter prior to 1855,^{an<^ ^} was not until after the amendment of the Companies' Act in 1862 that their creation attained the proportions of a mania. A new form of financial enterprise which developed was the creation of stock companies to furnish funds for new enterprises upon pledge of their stock. A proposed railway would not await the slow process of placing its stock and bonds among investors, in order to obtain funds to begin construction, but would deposit these securities with a finance company, which would agree to accept its debts for a specified sum. The immediate service rendered by the finance company was simply the use of its name, and the dangers of this method of financing did not become obvious until these long-dated acceptances began to press upon the market. The finance companies were able to sell their own shares at high prices and thus obtained the funds with which to make advances to the railways and construction companies.¹

This new method of financing, through great capitalists and banking companies, was legitimate within the limits of the strength of the guaranteeing companies, and the prospects of the new enterprises, and it afforded a method of setting in operation at once enterprises for which the capital could not formerly have been found without appealing to the clumsy methods of government finance. The new system was employed, however, without wisdom and sometimes without honesty during the sixties and it soon brought the inevitable crash. One of the most conspicuous of the new finance houses was that of Overend, Gurney, and Co., which made investments in railways in Great Britain, in cotton in the United States, and in new enterprises in India. The company commanded the unlimited confidence of the public, because of the high credit of the private firm which was turned into a limited company in July, 1865. The firm was already in debt at that time to the amount of $\text{^}2,970,168$ and the methods by which this money had been lost were reck-

¹ Levi, 462.